



ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 52

[EPA-R03-OAR-2011-0925; FRL- 9619-6]

**Approval and Promulgation of Air Quality Implementation Plans;
Pennsylvania; Nonattainment New Source Review Rules**

AGENCY: Environmental Protection Agency (EPA).

ACTION: Proposed rule.

SUMMARY: EPA is proposing to approve a State Implementation Plan (SIP) revision submitted by the Commonwealth of Pennsylvania on August 9, 2007. This revision pertains to the preconstruction permitting requirements of Pennsylvania's nonattainment New Source Review (NSR) program. The revision is intended to update Pennsylvania's nonattainment NSR regulations to meet EPA's 2002 NSR Reform regulations (NSR Reform), and to satisfy the requirements related to antibacksliding. Additionally, the proposed revision makes clarifying changes to regulations that are not related to NSR Reform. This action is being taken under the Clean Air Act (CAA).

DATES: Written comments must be received on or before [insert date 30 days from date of publication].

ADDRESSES: Submit your comments, identified by Docket ID Number **EPA-R03-OAR-2011-0925** by one of the following methods

- A. www.regulations.gov. Follow the on-line instructions for submitting comments.
- B. E-mail: cox.kathleen@epa.gov
- C. Mail: EPA-R03-OAR-2011-0925, Kathleen Cox, Associate Director, Office of Permits and

Air Toxics], Mailcode 3AP10, U.S. Environmental Protection Agency, Region III, 1650 Arch Street, Philadelphia, Pennsylvania 19103.

D. Hand Delivery: At the previously-listed EPA Region III address. Such deliveries are only accepted during normal hours of operation, and special arrangements should be made for deliveries of boxed information.

Instructions: Direct your comments to Docket ID No. **EPA-R03-OAR-2011-0925**. EPA's policy is that all comments received will be included in the public docket without change, and may be made available online at www.regulations.gov, including any personal information provided, unless the comment includes information claimed to be Confidential Business Information (CBI) or other information whose disclosure is restricted by statute. Do not submit information that you consider to be CBI or otherwise protected through www.regulations.gov or e-mail. The www.regulations.gov website is an "anonymous access" system, which means EPA will not know your identity or contact information unless you provide it in the body of your comment. If you send an e-mail comment directly to EPA without going through www.regulations.gov, your e-mail address will be automatically captured and included as part of the comment that is placed in the public docket and made available on the Internet. If you submit an electronic comment, EPA recommends that you include your name and other contact information in the body of your comment and with any disk or CD-ROM you submit. If EPA cannot read your comment due to technical difficulties and cannot contact you for clarification, EPA may not be able to consider your comment. Electronic files should avoid the use of special characters, any form of encryption, and be free of any defects or viruses.

Docket: All documents in the electronic docket are listed in the www.regulations.gov index.

Although listed in the index, some information is not publicly available, i.e., CBI or other information whose disclosure is restricted by statute. Certain other material, such as copyrighted material, is not placed on the Internet and will be publicly available only in hard copy form. Publicly available docket materials are available either electronically in www.regulations.gov or in hard copy during normal business hours at the Air Protection Division, U.S. Environmental Protection Agency, Region III, 1650 Arch Street, Philadelphia, Pennsylvania 19103. Copies of the State submittal are available at the Pennsylvania Department of Environmental Protection, Bureau of Air Quality Control, P.O. Box 8468, 400 Market Street, Harrisburg, Pennsylvania 17105.

FOR FURTHER INFORMATION CONTACT: Gerallyn Duke, (215) 814-2084, or by e-mail at Duke.Gerallyn@epa.gov.

SUPPLEMENTARY INFORMATION: Throughout this document, whenever “we,” “us,” or “our” is used, we mean EPA. On August 9, 2007, the Pennsylvania Department of Environmental Protection (PA DEP) submitted a proposed SIP revision pertaining to preconstruction permitting requirements under Pennsylvania’s nonattainment NSR program.

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I. Background

EPA last took action on the nonattainment NSR provisions of the Pennsylvania SIP on December 9, 1997. At that time EPA approved a wholesale revision of Pennsylvania's preconstruction permitting program for minor and major sources and included new and revised subchapters A, B, C, and E under 25 Pa. Code Chapter 127. Pennsylvania had adopted the new rules in response to the 1990 Clean Air Act Amendments (CAAA) requirement to submit new NSR programs addressing §182 of the CAA. The only subchapter that was not revised was subchapter D – the state's Prevention of Significant Deterioration (PSD) program. Pennsylvania adopted an automatic incorporation by reference (IBR) of the federal PSD regulations of 40 CFR 52.21. This automatic IBR was approved into Pennsylvania's SIP on June 18, 1983 (49 FR 33127). The currently proposed revision has no impact on Pennsylvania's PSD program.

On December 31, 2002 (67 FR 80186), EPA published final rule changes to 40 CFR parts 51 and 52, regarding the CAA's PSD and nonattainment NSR programs. On November 7, 2003 (68 FR 63021), EPA published a notice of final action on the reconsideration of the December 31, 2002, final rule changes. The December 31, 2002, and the November 7, 2003, final actions are collectively referred to as "NSR Reform." The purpose of this SIP revision is to incorporate changes to Pennsylvania's nonattainment NSR rules made as a result of EPA's 2002 NSR Reform, and to address the antibacksliding provisions of the United States Court of Appeals for the District of Columbia (D.C. Circuit Court) decision in *South Coast Air Quality Management District v EPA*¹ (*South Coast*).

¹ In 2006, the United States Court of Appeals for the District of Columbia Circuit found in et al, 472 F.3d 882 (D.C. Cir 2006) that NSR is a control measure and to weaken its requirements under the SIP would constitute impermissible backsliding under the CAA.

The 2002 NSR Reform Rules are part of EPA's implementation of parts C and D of title I of the CAA, 42 U.S.C. 7470-7515. Part C of title I of the CAA, 42 U.S.C. 7470-7492, is the PSD program, which applies in areas that meet the National Ambient Air Quality Standards (NAAQS) (“attainment” areas), as well as in areas for which there is insufficient information to determine whether the area meets the NAAQS (“unclassifiable” areas). Part D of title I of the CAA, 42 U.S.C. 7501-7515, is the nonattainment NSR program, which applies in areas that are not in attainment of the NAAQS (“nonattainment” areas). Collectively, the PSD and nonattainment NSR programs are referred to as the “New Source Review” or NSR programs. EPA regulations implementing these programs are contained in 40 CFR 51.165, 51.166, 52.21, 52.24, and part 51, appendix S.

The CAA’s NSR programs are preconstruction review and permitting programs applicable to new and modified stationary sources of air pollutants regulated under the CAA. The NSR programs of the CAA include a combination of air quality planning and air pollution control technology program requirements. Briefly, section 109 of the CAA, 42 U.S.C. 7409, requires EPA to promulgate primary NAAQS to protect public health and secondary NAAQS to protect public welfare. Once EPA sets those standards, states must develop, adopt, and submit to EPA for approval a SIP that contains emissions limitations and other control measures to attain and maintain the NAAQS. Each SIP is required to contain a preconstruction review program for the construction and modification of any stationary source of air pollution to assure that the NAAQS are achieved and maintained; to protect areas of clean air; to protect air quality related values (such as visibility) in national parks and other areas; to assure that appropriate emissions controls are applied; to maximize opportunities for economic development consistent with the

preservation of clean air resources; and to ensure that any decision to increase air pollution is made only after full public consideration of the consequences of the decision.

The 2002 NSR Reform Rules made changes to five areas of the NSR programs. In summary, the 2002 Rules: (1) provide a new method for determining baseline actual emissions; (2) adopt an actual-to-projected actual methodology for determining whether a major modification has occurred; (3) allow major stationary sources to comply with Plantwide applicability limits (PALs) to avoid having a significant emissions increase that triggers the requirements of the major NSR program; (4) provided a new applicability provision for emissions units that are designated clean units (Clean Unit test); and (5) excluded pollution control projects (PCPs) from the definition of “physical change or change in the method of operation.” On November 7, 2003 (68 FR 63021), EPA published a notice of final action on its reconsideration of the 2002 NSR Reform Rules, which added a definition for “replacement unit” and clarified an issue regarding PALs.

After the 2002 NSR Reform Rules were finalized and effective (March 3, 2003), industry, state, and environmental petitioners challenged numerous aspects of the 2002 NSR Reform Rules, along with portions of EPA’s 1980 NSR Rules (45 FR 52676, August 7, 1980). On June 24, 2005, the D.C. Circuit Court issued a decision on the challenges to the 2002 NSR Reform Rules. *New York v. United States*, 413 F.3d 3 (D.C. Cir. 2005) (*New York I*). In summary, the D.C. Circuit Court vacated portions of the rules pertaining to clean units and PCPs, remanded a portion of the rules regarding recordkeeping and the term “reasonable possibility” found in 40 CFR 52.21(r)(6) and 40 CFR 51.166(r)(6), and either upheld or did not comment on the other

provisions included as part of the 2002 NSR reform Rules. On June 13, 2007 (72 FR 32526), EPA took final action to revise the 2002 NSR Reform Rules to remove from federal law all provisions pertaining to clean units and the PCP exemption that were vacated by the D.C. Circuit Court.

With regard to the remanded portions of the 2002 NSR Reform Rules related to recordkeeping, on December 21, 2007, EPA took final action to establish the “reasonable possibility” provision which identifies the circumstances under which a major stationary source undergoing a modification that does not trigger major NSR must keep records (72 FR 72607). The 2002 NSR Reform Rules require that state agencies adopt and submit revisions to their SIP permitting programs implementing the minimum program elements of the 2002 NSR Reform Rules no later than January 2, 2006. State agencies may meet the requirements of the 2002 NSR Reform Rules with different but equivalent regulations.

On April 30, 2004 EPA published the Phase 1 Rule to Implement the Eight-Hour Ozone National Ambient Air Quality Standard, (69 FR 23951) which, among other things, allowed areas that had a higher nonattainment classification under the one-hour ozone standard to impose the NSR requirements of the new, less stringent eight-hour classification. In Pennsylvania, for instance, the classification for the Philadelphia ozone nonattainment area changed from serious under the one-hour standard to moderate under the eight-hour standard. The Phase I rule was subsequently challenged on a number of points, including the NSR provisions; the D.C. Circuit Court determined, in *South Coast*, that all one-hour ozone NAAQS major NSR requirements must remain in place.

II. Summary of SIP Revision

The SIP submittal consists of changes to 25 Pa. Code Chapter 121, General Provisions, and 25 Pa. Code Chapter 127, Construction, Modification, Reactivation, and Operation of Sources. This action, when approved, will update Pennsylvania's nonattainment NSR regulations as previously approved on December 9, 1997 (62 FR 64722). It will incorporate for the first time the 2002 "NSR Reform" provisions into Pennsylvania's nonattainment NSR program, and will satisfy the requirements of the D.C. Circuit Court decision in *South Coast* regarding antibacksliding. The proposed regulations were adopted by Pennsylvania and became effective on May 19, 2007. A detailed analysis of the regulations as well as EPA's rationale for approving them can be found in the technical support document (TSD) in the docket for this proposed action.

A. NSR Reform Elements

Prior to NSR Reform, emission increases associated with a physical change or change in the method of operation at an existing major source were calculated by comparing past actual emissions with the facility's potential to emit after the change, commonly referred to as the actual- to-potential test. In general, NSR Reform allows owners and operators of all major sources to choose between the traditional test and a new test that would compare past actual emissions to a projection of future actual emissions, so long as those projections are based on realistic and reliable information. The latter is commonly referred to as an actual-to-actual test. In addition, the facility would not be required to establish the projected emissions as an enforceable emissions limit.

As noted above, NSR Reform was challenged on all fronts, including the applicability provisions related to the actual-to-actual test and, of particular importance to the Pennsylvania SIP, the Clean Unit test. The Clean Unit test would have allowed facilities that had installed state of the art pollution controls within the past 10 years to avoid triggering NSR even when it would be clear that actual emissions would increase. The D.C. Circuit rejected the Clean Unit test on the grounds that “the CAA unambiguously defines ‘increases’ in terms of actual emissions.” In its concluding paragraph on the matter, the Court opined that “because the plain language of the CAA indicates that Congress intended to apply NSR to changes that increase actual emission instead of potential or allowable emissions, we hold that EPA lacks the authority to promulgate the Clean Unit provision, and we vacate that portion of the 2002 rule, 67 FR 80279-83 (codified at 40 CFR §52.21(x)) as contrary to the statute under Chevron Step 1.”

Pennsylvania’s current SIP rules, approved on December 9, 1997, allow sources to determine nonattainment NSR applicability based on a comparison of past “maximum allowable emissions” to future “maximum allowable emissions,” i.e., a potential-to-potential test to determine NSR applicability. By any measure, these rules did not conform to the pre-Reform actual-to-potential test or to the mandate of the D.C. Circuit Court in *New York I* that applicability must be based on increases in actual emissions. The 1997 SIP could allow facilities to make substantial increases in actual emissions without undergoing review and without applying offsets or complying with Lowest Achievable Emission Rate (LAER) requirements, particularly in nonattainment areas that already have poor air quality. By incorporating NSR Reform elements, adoption of the proposed 2007 SIP revision is a significant strengthening of

the SIP and will bring Pennsylvania's program in line with the requirements of the CAA.

Pennsylvania has adopted all of the NSR Reform measures with some modifications: The look-back period for determining baseline actual emissions (BAE) is five years for all facilities.

However, facilities that are not Electric Generating Units (EGUs) may request up to ten years upon a demonstration that a different period is more representative of normal source operation.

Also, BAE do not include emissions associated with malfunctions. Finally, the same 24-month period is to be used for all pollutants when multiple units are affected by a project unless a facility can demonstrate that another 24-month period would be more representative. Another difference is that Pennsylvania rules require projected actual emissions to be incorporated into the required plan approval as an emissions limit. Finally, differences in establishing BAE related to the look-back period and inclusion of emissions from malfunctions, noted above, also apply to PALs in Pennsylvania.

It wasn't necessary for Pennsylvania to make any changes related to the remanded portions of the 2002 NSR Reform Rules related to clarification of the term "reasonable possibility" (72 FR 72607). This is because Pennsylvania facilities that use projected actual emissions with the result that major NSR is not triggered must still obtain a permit. These permits require all facilities to maintain and report their post-change emissions.

B. Antibacksliding

On April 30, 2004, EPA designated Bucks, Chester, Delaware, Montgomery and Philadelphia Counties in Pennsylvania as moderate nonattainment under the eight-hour ozone NAAQS and revoked the one-hour ozone NAAQS. Under the one-hour ozone standard, Bucks, Chester,

Delaware, Montgomery and Philadelphia Counties had been designated as severe nonattainment.

As a result of *South Coast*, all one-hour ozone NAAQS major NSR requirements in Pennsylvania and in the five-county Philadelphia area must remain in place. Under this SIP revision, facilities in these counties which emit or have the potential to emit at least 25 tons per year (tpy) of NO_x or VOCs will be considered major facilities and be subject to the requirements applicable to major facilities located in a severe nonattainment area of ozone.

C. Miscellaneous Changes

In addition to the changes outlined above, the proposed revisions include miscellaneous changes that were intended to provide additional clarity in Pennsylvania's regulations. These changes include the addition of definitions (unrelated to NSR reform) to conform to the federal nonattainment regulations in 40 CFR 51.165, clarification of provisions related to emission reduction credits, the re-codification of certain sections, and some additional clarifying rule changes. The TSD contains more detail on all of the proposed changes, and can be found in the docket for this action.

III. Proposed Action

EPA's review of this material indicates that the 2007 SIP revision, amending Pennsylvania's NSR construction, modification, reactivation and operation permit programs at 25 Pa. Code Section 121.1 and 25 Pa. Code Chapter 127, significantly strengthens the existing SIP and is consistent with the federal program requirements for nonattainment NSR set forth at 40 CFR 51.165. EPA is proposing to approve the August 9, 2007 Pennsylvania SIP revision. EPA is soliciting public comments on the issues discussed in this document. These comments

will be considered before taking final action.

IV. Statutory and Executive Order Reviews

Under the CAA, the Administrator is required to approve a SIP submission that complies with the provisions of the CAA and applicable Federal regulations. 42 U.S.C. 7410(k); 40 CFR 52.02(a). Thus, in reviewing SIP submissions, EPA's role is to approve state choices, provided that they meet the criteria of the CAA. Accordingly, this action merely proposes to approve state law as meeting Federal requirements and does not impose additional requirements beyond those imposed by state law. For that reason, this proposed action:

- is not a "significant regulatory action" subject to review by the Office of Management and Budget under Executive Order 12866 (58 FR 51735, October 4, 1993);
- does not impose an information collection burden under the provisions of the Paperwork Reduction Act (44 U.S.C. 3501 et seq.);
- is certified as not having a significant economic impact on a substantial number of small entities under the Regulatory Flexibility Act (5 U.S.C. 601 et seq.);
- does not contain any unfunded mandate or significantly or uniquely affect small governments, as described in the Unfunded Mandates Reform Act of 1995 (Public Law 104-4);
- does not have Federalism implications as specified in Executive Order 13132 (64 FR 43255, August 10, 1999);
- is not an economically significant regulatory action based on health or safety risks subject to Executive Order 13045 (62 FR 19885, April 23, 1997);

- is not a significant regulatory action subject to Executive Order 13211 (66 FR 28355, May 22, 2001);
- is not subject to requirements of Section 12(d) of the National Technology Transfer and Advancement Act of 1995 (15 U.S.C. 272 note) because application of those requirements would be inconsistent with the CAA; and
- does not provide EPA with the discretionary authority to address, as appropriate, disproportionate human health or environmental effects, using practicable and legally permissible methods, under Executive Order 12898 (59 FR 7629, February 16, 1994).

In addition, this proposed rule pertaining to Pennsylvania's nonattainment NSR program does not have tribal implications as specified by Executive Order 13175 (65 FR 67249, November 9, 2000), because the SIP is not approved to apply in Indian country located in the state, and EPA notes that it will not impose substantial direct costs on tribal governments or preempt tribal law.

List of Subjects in 40 CFR Part 52

Administrative practice and procedure, Air pollution control, Carbon monoxide, Intergovernmental relations, Lead, Nitrogen dioxide, Ozone, Particulate matter, Reporting and recordkeeping requirements, Sulfur oxides, Volatile organic compounds.

Authority: 42 U.S.C. 7401 et seq.

Dated: January 3, 2012

W. C. Early
Acting Regional Administrator,
Region III.

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